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Message Text

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ACTION EA-12

INFO OCT-01 EUR-12 ISO-00 AID-05 CEA-01 CIAE-00
COME-00 EB-08 FRB-03 INR-10 IO-13 NEA-11 NSAE-00
ICA-11 OPIC-03 SP-02 TRSE-00 LAB-04 SIL-01
AGRE-00 OMB-01 SS-15 PA-01 /114 W
----------050451 200126Z /66
R 190856Z MAY 78
FM AMEMBASSY TOKYO
TO SECSTATE WASHDC 8068
INFO AMEMBASSY BERN
AMEMBASSY BONN
AMEMBASSY BRUSSELS
AMEMBASSY LONDON
AMEMBASSY OTTAWA
AMEMBASSY PARIS
AMEMBASSY ROME

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PASS TREASURY AND FEDERAL RESERVE BOARD

USEEC

USOECD ALSO FOR EMBASSY

E.O. 11652: N/A
TAGS: EFIN, JA
SUBJECT: JAPAN/EC BANKING TALKS

REF: TOKYO 07373

1. SUMMARY: EC COMMISSIONER CHRISTOPHER TUGENDHAT HELD TALKS WITH GOJ OFFICIALS MAY 9-11 FOCUSING ON THE POSITION OF FOREIGN BANKS IN JAPAN. TALKS GENERATED A GOOD DEAL OF PUBLICITY BUT DID NOT APPEAR TO BREAK MUCH IF ANY NEW
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GROUND BEYOND POSITIONS FORESHADOWED IN RECENT TALKS WITH SAN FRANCISCO FED PRESIDENT BALLES (REFTEL). GOJ AUTHORITIES, WHILE RECOGNIZING THE UNIQUE POSITION OF THE FOREIGN BANKS, INSIST THEY ARE GIVEN, AND WILL CONTINUE TO RECEIVE, TREATMENT SIMILAR TO THAT OF JAPANESE BANKS.
END SUMMARY.

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2. THE TUGENDHAT VISIT WAS ACCOMPANIED BY A DEBATE IN THE PRESS ABOUT THE TREATMENT OF FOREIGN BANKS IN JAPAN. AFTER GIVING THE TALKS A BUILDUP AS A CONFRONTATION OVER BANKING POLICY, PRESS DEVOTED DAILY STORIES TO RECITATION OF THE LITANY OF COMPLAINTS OF THE FOREIGN BANKS, FOLLOWED BY POINT-BY-POINT REBUTTAL BY BANK OF JAPAN. PRESS ACCOUNTS INDICATED THE TALKS CENTERED ON:

A. RESTRICTIONS ON ESTABLISHMENT AND BRANCHING BY FOREIGN BANKS.

B. RESTRICTIONS ON FOREIGN OWNERSHIP OF JAPANESE BANKS.

C. LIMITATIONS ON SWAP LINES.

D. RESTRICTIONS ON ACCESS TO CALL AND BILL MARKETS.

E. REQUESTS FOR AUTHORITY TO PERMIT ISSUANCE OF CERTIFICATES OF DEPOSIT.

3. MOF CONTACTS TELL US THAT TALKS WERE MUCH MORE AMICABLE THAN PRESS COVERAGE SUGGESTED AND THAT BOTH SIDES AGREED TO CITE FOLLOWING AS OUTCOME OF TALKS.

A. THE JAPANESE AUTHORITIES WILL DEAL WITH QUESTION OF FOREIGN BANK BRANCHING WITH A HIGH DEGREE OF FLEXIBILITY.
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B. THE JAPANESE AUTHORITIES ARE ATTEMPTING TO EXPEDITE THE FURTHER DEVELOPMENT OF THE TOKYO MONEY MARKET AND THIS PROCESS WILL FACILITATE GREATER ACCESS OF FOREIGN BANKS TO THE MARKET.

C. ON THE SUBJECT OF CD'S, THE COUNCIL ON THE STUDY OF THE FINANCIAL SYSTEM, WHICH IS REVIEWING THE JAPANESE FINANCIAL SYSTEM, WOULD TAKE INTO CONSIDERATION REQUESTS AND DESIRES OF BANKING INSTITUTIONS INCLUDING THOSE OF FOREIGN BANKS.

D. FOREIGN BANKS WILL BE FULLY ENTITLED TO UTILIZE THE NEW IMPORT FINANCING SCHEME (SO-CALLED IMPORT SETTLEMENT BILL SCHEME).

E. A CONTINUING EXCHANGE OF INFORMATION WAS PROMISED ALONG WITH A COMMITMENT TO RESPOND WITHIN A REASONABLE PERIOD TO QUESTIONS OF MUTUAL INTEREST THAT MIGHT BE RAISED.

COMMENT: FOREGOING SUBSTANTIVE POINTS PARALLEL THOSE MADE

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AND POSITION TAKEN WHEN JOHN BALLES, PRESIDENT OF SAN FRANCISCO FEDERAL RESERVE BANK, MET WITH JAPANESE AUTHORITIES IN MID-APRIL. IMPORT SETTLEMENT BILL SCHEME WAS ANNOUNCED SHORTLY AFTER BALLES VISIT AND EC VISIT WAS FIRST PUBLIC STATEMENT THAT FOREIGN BANKS WOULD BE ALLOWED TO PARTICIPATE.

ON THE QUESTION OF INCREASING SWAP LIMITS, THE JAPANESE AUTHORITIES APPARENTLY REITERATED THEIR POSITION THAT EXPANSION WOULD BE CONSIDERED SYMPATHETICALLY WHEN EXCHANGE MARKET PRESSURES EASED BUT GAVE NO SPECIFIC COMMITMENT TO EARLY ACTION. IN RECENT DAYS, HOWEVER, PRESS STORIES REPORT THE BOJ IS PLANNING TO INCREASE THE SWAP

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LIMITS IN THE NEAR FUTURE BY BETWEEN $400 AND $500 MIL.
MANSFIELD

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Disposition Approved on Date:
Disposition Case Number: n/a
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Handling Restrictions: n/a
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Litigation History:
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Office: ACTION EA
Original Classification: LIMITED OFFICIAL USE
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Original Previous Handling Restrictions: n/a
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Review Exemptions: n/a
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Secure: OPEN
Status: NATIVE
Subject: JAPAN/EC BANKING TALKS
TAGS: EFIN, JA, EEC, (TUGENDHAT, CHRISTOPHER)
To: STATE USEEC
Type: TE
vdkvgwkey: odbc://SAS/SAS.dbo.SAS_Docs/2f77179a-c288-dd11-92da-001cc4696bcc
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